

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WEST MCCRACKEN COUNTY WATER DISTRICT)	
FOR AN APPLICATION FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY AND)	CASE NO.
APPROVAL OF FINANCING FOR A 500,000)	2000-140
GALLON ELEVATED STORAGE TANK)	

O R D E R

On June 9, 2000, West McCracken County Water District ("West McCracken District") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$833,185 waterworks improvement project, for approval of its plan of financing for this project, and for approval of a surcharge.

The project consists of the construction of a new 500,000 gallon elevated water storage tank, telemetry and appurtenances. This project is necessary to supply the increase in demand from Tyler Mountain Water, which has committed to increase employment upon completion of this project. In addition, this project benefits the entire water district area with additional water storage capacity to comply with the Commission's one-day storage requirement as set out in 807 KAR 5:066.¹

¹ See Case No. 99-420, Application of West McCracken County Water District for a Deviation From the Requirements of 807 KAR 5:066, Section 4(4), Regarding Water Storage (Order dated November 8, 1999). This Order required West McCracken to bring its water storage facilities into compliance with Commission regulations prior to July 1, 2005.

West McCracken District proposes to fund the present project by a \$450,000 grant from the U.S. Department of Commerce, Economic Development Administration and a \$320,000 loan from the Paducah Bank & Trust Company of Paducah, Kentucky that carries an annual interest rate of 8.5 percent. West McCracken District submits that the balance of the financing, in the amount of \$63,185, will be paid using internally generated funds.

West McCracken District acknowledged that the surcharge approved in Case No. 94-450² would expire in August of 2000, and that West McCracken District intended to apply for a surcharge at a later date. West McCracken District, after conferring with staff, elected to amend its application to request a new surcharge for a period of 5 years, pursuant to KRS 74.395, effective September 2000. This surcharge would be for the sole purpose of financing the \$320,000 loan from Paducah Bank & Trust Company proposed in this application. Annual principal and interest payments will be \$60,000. Total principal and interest payments are estimated to be \$439,251 over the life of the loan. West McCracken District proposed a surcharge rate of \$0.42 per 1,000 gallons of water sold.

In its amended application West McCracken District submitted a priority list of projects and requested to amend the list approved in Case No. 94-450. The priority list included in Case No. 94-450 applies only to that case and restricts the surcharge to the projects included in that case. In this case the only project for which surcharge funds could be used is the 500,000 gallon elevated water storage tower project. Any other

² Case No. 94-450, The Application of West McCracken County Water District for (1) General Rate Increase, (2) Revision of Tariffs, (3) Approval of Surcharge, and (4) Request for Approval of Variance on Financial Data.

projects contemplated by West McCracken District should be submitted in a separate certificate application for Commission consideration.

After reviewing the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. West McCracken District proposes to construct a 500,000 gallon elevated water storage tank, telemetry and appurtenances.

2. Plans and specifications for the proposed improvements prepared by Florence & Hutcheson, Inc. of Paducah, Kentucky, have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

3. Public convenience and necessity require that the construction identified in West McCracken District's application be performed and that a Certificate of Public Convenience and Necessity be granted.

4. The financing plan proposed by West McCracken District is for lawful objects within the corporate purpose of its utility operation, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, is reasonably necessary and appropriate for such purpose, and should be approved.

5. The five-year surcharge proposed by West McCracken District should be approved for the sole purpose of financing the \$320,000 loan from Paducah Bank & Trust Company.

IT IS THEREFORE ORDERED that:

1. West McCracken District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the plans and specifications of record herein.

2. West McCracken District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. West McCracken District shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

5. West McCracken District shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

6. West McCracken District shall notify the Commission in writing 7 days prior to the actual commencement of the proposed construction and when 50 percent completion of the proposed construction is completed.

7. West McCracken District shall file a copy of the “as-built” drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

8. West McCracken District is authorized to issue notes to the Paducah Bank & Trust Company in an amount not to exceed \$320,000.

9. The proceeds from the \$320,000 note shall be used only for the lawful purposes specified in West McCracken District’s application.

10. Three years from the effective date of this Order, West McCracken District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

11. The surcharge of \$0.42 per 1000 gallons is approved for service rendered by West McCracken District on and after the date of this Order, for a period not to exceed 5 years.

12. West McCracken District shall identify the surcharge as a separate line item on its bills to all customers.

13. The surcharge proceeds shall be used only to service the loan identified in the financing agreement between West McCracken District and the Paducah Bank & Trust Company.

14. West McCracken District shall cease collection of the surcharge upon payment in full of the loan to finance this project or 5 years from the date of this Order, whichever comes first.

15. All funds generated by the surcharge shall be deposited in a separate reserve trust account. These funds shall be invested in securities issued or guaranteed by the United States Government until they are needed, and shall be expended, together with any interest or other earnings thereon, solely for the purpose of financing the project specified in this Order.

16. No deviation from the approved use of surcharge revenues may be undertaken without the prior approval of the Commission.

17. West McCracken District shall file semi-annual statements detailing surcharge revenues collected, including any interest earned thereon, all expenditures made, and remaining balance. These reports shall be filed as of June 30 and December 31 of each calendar year and are due no later than 30 days subsequent to those dates. Failure to file the semi-annual reports shall warrant cessation of the surcharge and immediate refunding of the monies previously collected. If construction has not begun within 5 years after implementation of the surcharge, all funds shall be returned to West McCracken District's customers, together with interest and earnings.

18. West McCracken District shall maintain its records in such a manner as will enable it, the Commission, or its customers to determine the amounts to be refunded and to whom they are due in the event that surcharge amounts are ordered refunded.

19. The surcharge revenues constitute contributions and shall be accounted for in the manner prescribed in the Uniform System of Accounts for Class A and B water districts and associations. The monthly billing shall be debited to customer accounts

receivable and credited to the contributions account. When the amount is collected, special funds shall be debited and customer accounts receivable credited.

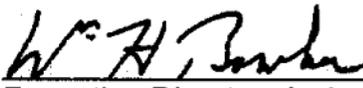
20. Within 30 days of the date of this Order, West McCracken District shall file with the Commission its revised tariffs setting out the rates and surcharge approved herein.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 4th day of August, 2000.

By the Commission

ATTEST:



Executive Director, Acting